STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

THE ENERGY & TECHNOLOGY COMMITTEE

Senate Bill 416: AAC ENERGY FROM COMBINED HEAT AND POWER SYSTEMS

March 11, 2010

TESTIMONY OF CHAIRMAN KEVIN M. DELGOBBO

The Department of Public Utility Control (Department) submits the following comments on Senate Bill No. 416. The Department supports the installation of combined heat and power (CHP) facilities to encourage the efficient use of our limited natural resources. Notwithstanding the above, the Department is concerned that extending the financial benefits of net metering to combined heat and power systems will increase rates and create additional subsidies borne by ratepayers. Were this bill to become law, the Department would recommend the following: 1) That this bill only applies to CHP projects that begin operation after the passage of the bill, and 2) That this bill be limited to CHP projects with capacity of 2 MW or less. This is currently the capacity standard for Class I and hydro projects.

This bill would extend current net metering provisions to CHP systems. Currently, net metering is available to any distributed generation facility on the customer's premises with an installed nameplate capacity of up to 500 kW if fueled by a non Class I renewable fuel source, or up to 50 kW if fossil fuel is used. Since most CHP systems use fossil fuel, only small systems can net meter (if they are 50 kW or less). If a unit qualifies for net metering all excess power is netted on an annual basis. Otherwise, netting is done monthly. However, this bill would make any size CHP system eligible for the net energy billing provision that applies for Class 1 resources. Class I resources are allowed to net meter on an annual basis.

Net Energy metering/billing provides a large subsidy to qualifying generators. By netting at the full retail rate, residential generators are paid approximately 20 cents/kWh while the cost of generation procured by the EDCs is approximatley10 cents/kWh. In addition, CHP and other Class I, II and III facilities can sell renewable energy credits earned which can be as much as 3.1 cents/kWh. These subsidies promote generation but the additional costs must be shifted to other customers thereby raising rates.

Existing CHP projects do not need additional incentives. Many of these projects have already received monetary grants as a result of the Energy Independence Act of 2005 and receive other subsidies such as the natural gas discount, waiver of backup and demand charges, low interest loans and Class III RECs. Therefore, any additional subsidies to existing projects would raise rates, shift costs to other ratepayers, provide a windfall to these generators and remove any benefit this Raised Bill intends to achieve from the Distributed Generation monetary grant program.

Lastly, the Department believes that developing a cost based rate for the purchase of power from all distributed generators may be a better approach than creating hidden subsidies by extending the net metering provisions to additional projects. The price of Standard Service generation could form the basis for a cost-based payment rate. Subsidies could then be targeted to promote specific technologies if policy makers so desire.